

July 9, 1953

Mr. J. B. Matthews
Executive Director
Senate Permanent Subcommittee
on Investigations
United States Senate
Washington 25, D. C.

Dear Mr. Matthews:

I wish to acknowledge your letter of July 1 and Mr. Adlerman's earlier telephone request to a member of my staff for information on illegal shipments to the Soviet Bloc of certain strategic metals.

Legal trade with the Soviet Bloc in the materials mentioned in your letter is strictly controlled by all of the Western countries. Nevertheless, we are aware that there is a certain amount of illegal trade by means of diversions, smuggling, etc., the extent of which cannot be accurately estimated. However, the governments of the countries concerned are likewise cognizant of this clandestine trade and are alert to prevent individual shipments which come to their attention and to plug loopholes in existing controls as they appear.

The type of information which you have asked be made available to Mr. Adlerman is received by this government in the form of raw intelligence reports from highly confidential sources. Many of these reports refer to transactions alleged to have already taken place; others relate to proposed or pending shipments.

Our ability to confirm these reports and, in turn, to attempt to prevent transactions which have not yet been completed varies with the timing, the sources, and many other indeterminate factors. The majority of the reports are not specific in detail and are therefore difficult to substantiate. Some may be received too late to be confirmed. However, we and our allies do receive intelligence information which proves very valuable in helping foreign government enforcement agencies not only to stop and prevent specific illegal shipments but also to take action against the principals involved in those transactions and in others which have already taken place. A large part of these enforcement operations is carried out by the foreign governments concerned through administrative procedures and, as a result, are attended

State Dept. declassification & release instructions on file

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by little or no publicity. Occasionally cases do receive public attention. Examples in point are the recent breakup by Danish authorities of a nickel smuggling operation and the arrest by Italian police of several men who had been engaged in the shipment of strategic materials from Italy to the Soviet Bloc. Other examples are contained in Chapter III of the Administrator's Second Report to Congress (January 1953).

Because of the nature of enforcement problems and activities as I have outlined above, the security classification of the intelligence reports received by this government requires that in the national interest they be disseminated only on a need-to-know basis to those persons actively engaged in the economic defense program. I regret, therefore, that I am unable to make available to Mr. Adlerman the reports which you requested.

Sincerely yours,

W. S. DaLany
Deputy Administrator for
Mutual Defense Assistance Control

JKnoll/lr
MDAC 7/9/53

Clearances (in substance):

Defense	-	Moffatt
State	-	Goodkind
Commerce	-	Walinsky
MSA	-	Christerson